

PUBLIC UTILITIES REGULATORY COMMISSION ANNUAL REPORT

1998

1998 - The Year In Summary

This table displays activities spread between October 1997 and October 8 1998.

DATE/MONTH	EVENT
1997 October 17	Enactment of PURC Act 538The Public Utilities Regulatory Commission Act, 1997 (Act 538) which established the Commission was passed. The Act, inter alia, provides the legal framework for regulating the provision of utility services in the electricity and water sectors or other public utility services as the Commission shall by Legislative Instrument prescribe on recommendation of the Minister with responsibility for the service.
November 10	Inauguration of PURC by His Excellency the PresidentFollowing the enactment of Act 538, His Excellency the President inaugurated the Commission.
November 20	Receipt of tariff adjustment proposals from utilitiesThe Commission received the first electricity tariff adjustment proposals from ECG and VRA as well as the first water tariff adjustment proposals from GWSC.
December 22	PURC's first public hearing on tariff adjustment proposals submitted by VRA and ECGIn accordance with its statutory duty the Commission organized its first public forum on electricity tariff proposals. The utilities presented their proposals and consumers were given the opportunity to react to the utilities' submissions.
December 29	PURC's second public hearing on tariff adjustment

	proposals submitted by GWSC A public hearing similar to the one held for electricity was organized in respect of the proposals received for adjusting water tariffs.
1998 January 31	PURC announces its first tariff decision for electricityThe Commission announced its first tariff decision. This was published simultaneously in the Gazette as well as the mass media.
February 28	PURC announces Water tariff decisionThe Commission announced the first water tariff decision. This was published in the Gazette and in the mass media.
May 29	ECG submit proposals for tariff adjustment
June 8	VRA submits proposals for tariff adjustment.
July 9	Seminar on electricity tariff guidelines - AkuseThe Commission organized a one-day seminar at Akuse where guidelines for setting electricity tariffs were discussed. The seminar brought together representatives from Ministry of Mines and Energy, VRA and ECG. Comments from participants in respect of the PURC presentation have been taken into account in Further developing the draft guidelines.
August 18 & 21	Public hearings on electricity tariff proposalsPURC organizes public hearings in respect of VRA / ECG proposals at Kumasi and Accra respectively.
September 1	PURC issues new rates for electricityThe Commission announced new electricity tariffs
September 28	PURC visit to VRA's installations at Akuse and AkosomboThe Commissioners undertook familiarization visits to the VRA power stations at Akosombo and Akuse.
October 8, 1998	PURC visit to VALCOThe Commissioners visited the VALCO factory, Tema at the invitation of the Company to acquaint themselves with VALCO's operations, energy needs and to interact with the VALCO Management.

1998 - Main Introduction

Background

The Public Utilities Regulatory Commission (PURC) was set up by Government in October 1997 under Act 538 to regulate the provision of utility services in the electricity and water sectors. Under Section 4 of Act 538, the Commission is an

independent body and is not subject to the direction or control of any authority in the performance of its functions. For administrative purposes, it comes under the umbrella of the Office of the President. Entities whose operations currently fall within the Commission's purview are the Electricity Company of Ghana (ECG) Ltd., Volta River Authority (VRA) and Ghana Water and Sewerage Corporation (GWSC).

The nine members Commission includes a Chairman, an Executive Secretary, an institutional representative each for Labour and Industry, a representative of domestic consumers as well as four experts in various aspects of the Commission's work.

Members of the Board

The members of the Commission are:

1. Nana (Dr.) S. K. B. Asante - Chairman
2. Mr. S. N. Adu - Member, Executive Secretary
3. Mrs. G. A. Orleans - Member, Representative of Domestic Consumers
4. Mr. A. E. Quayson - Member, Representative of AGI
5. Mr. K. Adu - Amankwah - Member, Representative of TUC
6. Mr. E. Appiah Korang - Member
7. Mr. R. B. W. Hesse - Member
8. Mr. K. Osei - Poku - Member
9. Dr. Y. Akoto - Member

With the exception of the Executive Secretary, the appointment of the Chairman and members of the Commission is for five years and is renewable.

Mission Statement

The PURC is committed to ensuring development and delivery of the highest quality of utility services to all consumers, building a credible regulatory regime that will respond adequately to all stakeholders' concerns and interests and also ensure fairness, transparency, reliability and equity in the provision of utility services in the country.

1998 - Functions of the Commission

The functions as follows:

- (a) to provide guidelines on rates chargeable for provision of utility services;

- (b) to examine and approve rates chargeable for provision of utility services;
- (c) to protect the interest of consumers and providers of utility services;
- (d) to monitor standards of performance for provision of services;
- (e) to initiate and conduct investigations into standards of quality of service given to consumers;
- (f) to promote fair competition among public utilities;
- (g) to conduct studies relating to economy and efficiency of public utilities;
- (h) to make such valuation of property of public utilities as it considers necessary for the performance of its functions;
- (i) to collect and compile such data on public utilities as it considers necessary for the performance of its functions;
- (j) to advise any person or authority in respect of any public utility;
- (k) to maintain a register of public utilities;
- (l) to issue regulations necessary for the effective implementation of the Act;
- (m) to receive, investigate complaints and settle disputes between consumers and public utilities; and
- (n) to perform such other functions as are incidental to the foregoing.

By virtue of the Energy Commission Act, 1997 (Act 541), PURC's mandate also includes the regulation of tariffs with respect to the supply, transportation and distribution of electric power and natural gas and also the bulk storage and transportation of petroleum products.

1998 - Organisation & Staffing

Organizational Chart

Below is the Organizational Chart which graphically depicts the PURC's institutional structure as at the time when the full complement of staff is recruited.

The chart below depicts the proposed Organizational Structure - as of 1998:

Commissioners

The Commission comprises nine Commissioners appointed by His Excellency the President in consultation with the Council of State, for a five-year term. The Commission is headed by its Chairman.

Chart Footnote

Area 1 - GREATER ACCRA REGIONS

- Area 2 - EASTERN / VOLTA REGIONS**
- Area 3 - CENTRAL / WESTERN REGIONS**
- Area 4 - ASHANTI / BNONG AHAFO REGIONS**
- Area 5 - NORTHERN / UPPER EAST / UPPER WEST REGIONS**

1998 - Committees of the Commission

The Commission works through its committees. The following are the committees of the Commission as well as their responsibilities:

Finance Committee

It has responsibility for financial regulations, authorisation of expenditures, financial statements and monitoring of financial matters.

Technical Committee

It has responsibility for technical aspects of operations of utility providers, monitoring of standards of service by utilities, conservation of energy and water resources, technical and operational audits of utilities and efficiency of utilities.

Tariffs Committee

It has responsibility for methodology for setting tariffs, valuation of utilities, incentives systems, impact of tariffs on consumers, recommendations on rates, studies relating to tariff setting and broader implications of tariffs.

Administration Committee

It has responsibility for personnel policy, terms and conditions of service, oversight of administration, recruitment, policy on management strategies, training schemes and organisational structure.

Consumer Affairs and Public Relations Committee

It has responsibility for concerns of consumers regarding tariffs, quality of service by utilities, billing systems, equitable issues in tariff setting, relations with the public, governmental agencies, utilities and the press, brochures of the Commission, outreach programmes in the regions, oversight of regional centres and subsidies.

Legal Committee

It has responsibility for interpretation of legislation affecting the operations of the Commission, regulations of the Commission, dispute settlement mechanisms between consumers and utilities, evaluation and legal aspects of IPP contracts and licences.

Water Issues Committee

It has responsibility for peculiar water sector and their impact on tariff setting, quality of service, special needs of consumers, billing system in the water sector, issue of subsidies, impact of electricity tariffs on distribution of water and other aspects of the operations of water utilities.

The Committees are required to submit recommendations on all policy issues to the Commission for approval.

1998 - Secretariat

The Commission is supported by a Secretariat headed by an Executive Secretary. The Secretariat comprises three separate bureaux, namely, Bureau of Technical Operations and Rate Economics, Bureau of Consumer Services and Bureau of Legal Services. The bureaux are headed by directors. Financial and administrative support has been provided by an Assistant Manager, Finance & Administration.

As a result of resource constraints the Secretariat was unable to recruit its full complement of staff and has therefore had to rely on a skeletal staff comprising three directors and one other professional during the year under review.

The rest of the support staff comprises a Senior Personal Assistant and a Secretary / Receptionist, 2 office assistants and 2 drivers.

The current secretariat staff of 4 professional and 6 support staff falls well short of the secretariat's requirements. The Commission has therefore embarked on a vigorous recruitment exercise to augment the staffing levels for the Secretariat in the ensuing year. It is hoped that within the first quarter of 1999 six additional staff will be recruited to support the key departments. By the end of the year 1999 the Secretariat should have close to its full complement of staff as envisaged in the above organizational chart.

1998 - Key Functions of Bureaux & Other Departments

The following are the main units within the Secretariat:

Bureau of Technical Operations & Rate Economics
Bureau of Consumer Services
Bureau of Legal Services
Finance and Administration
Public Relations Office
Bureau of Technical Operations & Rate Economics (BTORE)

The Key Functions of the Bureaux are:

To ensure rates set are fair, transparent, objective, predictable and ensure continuity in the provision of utility services.

To ensure high level of technical and operational efficiency in the provision of utility services
Develop rate setting guidelines, technical and operational benchmarks for utilities and an information base.
To monitor the performance of the utilities.

Bureau of Consumer Services (BCS)

To provide responsive management of consumer issues.
To protect the rights of consumers and ensure consumers receive the desirable quality of service.
To educate consumers on rights, responsibilities and conservation issues.
To establish and manage regional BCS centres to perform above functions.

Bureau of Legal Services (BLS)

To provide legal advice on all aspects of Commission's work.
To draft core legislative instruments, regulations and decisions necessary to give effect to Act 538 and ensuring compliance.
To develop regulations and put in place machinery for receiving and dealing with consumer complaints/disputes.

Finance and Administration

To manage the Secretariat and provide administrative support to various bureaux.
To develop financial regulations, authorizations, manage and monitor financial matters.
To assist with recruitment of staff, develop and implement personnel policy and manage the human resource development of the Commission.

Public Relations

Publicizing policies, decisions and activities of the Commission.
Serve as link between public and Commission.
Develop relationship between Commission, the public and the media.

1998 - Capacity Building & Training

Study Tour for Commissioners

As part of its capacity building process, study tours were organised during the year for Commissioners to visit other regulatory bodies to learn about methodologies and operations in this relatively new field.

Visit to OFFER, OFWAT and Pennsylvania Public Utilities Commission (PUC)

In June 1998, three Commissioners including the Executive Secretary visited Office of Electricity Regulation (OFFER) and Office of Water Services (OFWAT), the British

regulatory bodies for electricity and water respectively. This team also visited the Pennsylvania PUC. A fourth member of the Commissioner, Dr Y Akoto who is currently resident in the United States of America joined the team for the Pennsylvania visit. The PUC visit was arranged within the framework of an existing Technical Co-operation Agreement between the Commission and PUC.

Visit to Chile and California Public Utilities Commission

In August 1998, a second team of four Commissioners visited Chile, the home country of Synex Consulting Engineers, consultants who had assisted with Ghana's Power Sector Reform and who have been invited on occasions to comment on some of the Commission's regulatory issues. From Chile, the team visited the California Public Utilities Commission.

Chairman's Tour

The Chairman undertook his study tour in July 1998 and visited OFFER in the United Kingdom as well as the New York Public Services Commission (PSC), the Federal Energy Regulatory Commission (FERC) and the Association of Utilities in Washington DC, USA.

Training for Secretariat

In June 1998, two officers of the Commission attended a 2-week seminar on Regulatory Issues and Policy organized by the University of Florida/World Bank in Gainesville, Florida, USA.

A second visit was also made by these two officers - first to OFFER/OFWAT in the United Kingdom. One of them proceeded to Washington DC on an IP3 programme organized by the World Bank.

1998 - Constraints on PURC's Work

For a significant proportion of the year, the Commission operated under some constraints. Its functions so far have been performed in an environment characterized by lack of adequate funds, personnel and equipment thereby achieving the statutory regulatory obligations mandated under the PURC Act with a minimum of resources, both human and material.

Staff

The circumstances under which the Commission came into being are well known. The Commission would like to emphasize that it was compelled to work without the full complement of staff. The key statutory tasks relating to tariffs as well as its other functions were achieved with no elaborate organizational structure in place.

It should be noted that all the achievements for the year were made possible through the diligence and dedication of Commissioners and the skeletal staff of 4 professionals

and 6 support staff.

It is expected that the work programme for the ensuing year would ensure the recruitment and training of key staff and general capacity building for all aspects of the Commission's wider regulatory responsibilities.

Funding

The Commission would also like to emphasize that during the year under review it was greatly constrained by inadequacy and uncertain funding and its negative impact on the Commission's capacity building, material and equipment base. Although there was some improvement towards the end of the year the Commission had to be content with the minimum of equipment and logistic support for most part of the year. Also, a number of projects and activities - including technical studies, monitoring of utility services, establishing customer service committees, could not be undertaken due to lack of funds either from Government of Ghana or donor sources.

From the experience in the year under review, the Commission is of the firm opinion that its work would be greatly enhanced if it were able to secure its own sources of funding to enable it carry out its activities more freely. The PURC Act underscores the independence of the Commission

The credibility of the Commission will also be enhanced if it is able to demonstrate that in addition to the operational independence that it enjoys, it is also financially independent.

In this regard it is proposed that as is the practice in most countries, the concept of obtaining funds from the utilities as a charge for regulatory costs or contribution to regulatory activities should be adopted and implemented in 1999. The Commission intends to consult with the utilities and present proposals on this for further discussion in the very near future. The Commission acknowledges that such a levy or charge must have Parliamentary approval.

PURC's Budget 1998

As the Commission was inaugurated in November 1997, its budget for 1998 could not be included in the main national budget for approval by Parliament. The Ministry of Finance kindly made a provisional allocation of ₵600m which, although, short of the budget requirement, was able to cover some of the Commission's critical initial expenses. During the course of the year, further increases were made to the allocation to bring the total for the year to some ₵1.1bn.

Activities of the Commission:

1998 - Rate Setting

Under Act 538, the PURC, inter alia, has responsibility for setting rates chargeable for the provision of utility services. In that regard, the PURC is currently responsible for setting rates charged by:

- i. VRA for its electric power generation activities;
- ii. ECG for its electricity distribution services; and
- iii. GWSC for its services to the public

In addition to the above, under the Energy Commission Act, 1997 (Act 541), it is a condition within the licenses issued by the Energy Commission that fees charged by licensees of wholesale supply, transmission, and distribution of electric power and natural gas; certain bulk transportation and bulk storage of petroleum products are subject to PURC's approval.

It is the Commission's expectation that the Ministry of Mines & Energy and Energy Commission will in consultation with PURC soon spell out modalities for bringing this additional tariff approval responsibility within the PURC's purview.

Rate Setting Process

The PURC's procedure for setting tariffs as prescribed by Act 538 is for a public utility to file its proposal with the Commission at least 60 days before the commencement of a new service or the effective date for the revised tariffs. The proposals are then published in the mass media. Reactions to the proposals are collected from consumers in the nature of written submissions or representations made at public hearings organized by the Commission prior to tariff reviews. Pursuant to its statutory responsibilities, the Commission takes the representations made in respect of tariff proposals into account in arriving at a decision.

The decision is published in the Gazette and mass media.

Guidelines for Electricity Tariffs

In February 1998, in pursuance of the statutory responsibility, the PURC prepared Guidelines intended to guide the Commission and the utilities as a transparent basis for setting rates in respect of the provision of electricity services. In July 1998, the Commission organized a seminar at the VRA facilities in Akuse at which the draft Guidelines were discussed. Participants at the seminar included representatives from VRA, ECG and the Ministry of Mines & Energy. At the request of the Commission participants submitted written comments which were incorporated in the draft. Subsequently, the draft Guidelines was made available for further public and other institutional comments.

Comments have been received from the World Bank, and certain stakeholders, notably the Private Enterprise Foundation and Ghana National Petroleum Corporation (GNPC). The process of consultation is still continuing.

The Guidelines are inter alia, designed to ensure transparency in setting of rates separately for the generation, transmission and distribution of electricity transparently.

The Guidelines are available at the PURC offices.

Guidelines for Water Tariffs

The Commission is currently drafting guidelines for setting water rates. These will be ready in the first half of 1999, following which they will be made available for stakeholder and public comments before their finalization and implementation.

In fashioning the guidelines for water tariffs, the PURC has taken due cognizance of on-going reforms in the water sector under the Private Sector Participation Programme.

Electricity Tariffs

In May 1997, almost three years after a tariff adjustment, the Ministry of Mines and Energy announced a substantial increase in tariffs. The new tariffs were not acceptable to the consuming public which protested against their implementation. In response to the public outcry, Government suspended the tariff increase. Within the framework of the on-going reform of the electricity sector, legislation was enacted by Parliament to establish the PURC which was entrusted with responsibility of tariff setting.

Since its establishment, the PURC has undertaken two electricity tariff reviews. The first review was carried out between November 1997 and January 1998. Based on information made available as well as action plans to meet the nation's electricity requirements in the face of imminent shortages, the Commission approved a two-phased tariff, effective February 1, 1998, and September 1, 1998. The strategy was ultimately to achieve economic tariffs within a three-year period for individual consumers and a four-year period for residential consumers.

A key feature of this tariff was the introduction of a quota system for the first time. Consumers were requested to voluntarily reduce power utilisation to 70% of their historical consumption levels for the past year. The tariff for this percentage of consumption was based on the assumption that about 70% of power for the period supply would be provided from hydro which was comparatively cheaper than the other 30% to be procured from the Ivory Coast.

By July 1998, it was obvious that the quota system was not feasible. There were practical problems with its implementation. But more importantly, the expected power supply could not be met.

There was a substantial drop in the volume of electricity supply from the Akosombo and Akuse hydroelectric plants as a result of extremely low water inflows into the Volta Lake. VRA's supply fell by 23% while ECG sales were projected to record a shortfall of 15%. In addition, the mix of hydro to thermal had changed from the projected ratio of 5.6:1 to 3.1:1 resulting in a higher average cost of supply. The diminished supply situation and the change in mix were going to impact negatively on the sector because of short falls in the financial projections.

In the light of the foregoing and the cumulative impact of deferred adjustment of tariffs in previous years, VRA and ECG submitted new proposals for tariff review to the PURC in July 1998.

Consequently, in the midst of the energy crisis the Commission undertook a second electricity tariff review in July and August 1998. The resulting tariff took effect from September 1, 1998.

The tariffs approved by the PURC in February 1998, increased the electricity rates averagely from ¢45/kwh to ¢98/kwh. The September 1998 upward adjustment raised the average rate within that year to ¢192/kwh. The increases in 1998 alone represented a rise of over 300% in rates.

As indicated above, prior to the establishment of the Commission and the setting of its new rates in 1998, the utility companies had not been granted a rate increase for 3 years.

1998 - Tariff Review: Highlights

End-User Tariff Revenue Requirement

The PURC after a careful review of the proposals submitted by the utility companies set an average end-user tariff of 192.00 cedis/kWh as against 222.00 cedis/kWh proposed by the utilities.

Residential Customers

In setting the tariffs, the Commission was guided by its statutory responsibility to, inter alia, protect the interests of both consumers and providers of utility services.

In order to ensure that low-income consumers are able to enjoy a certain minimum supply of electricity at minimal cost, the PURC set the "lifeline" consumption at 50kWh per month. In setting the rate for the lifeline consumption, the PURC was guided by the criteria it has established in its rate-setting guidelines. Factors taken into account in setting the lifeline tariffs were:

- (i) National Monthly Minimum Wage;
- (ii) Ability to pay of rural consumers;
- (iii) The price of a gallon of kerosene;
- (iv) Average cost of hydro

Consequently, the PURC set the lifeline tariff as a block charge of 4,000.00 cedis per month that is about 8% of the National Minimum Monthly salary. .

Another class of residential customers addressed was the category in the 51-300 kWh consumption band. This class comprises a fairly large number of low-income urban customers and represents about 49.5% of ECG's customer base. In order to rationalize the end-user tariff regime and also respond to some of the genuine concerns raised by consumers after the February 1998 tariffs were set, this category was divided into two groups of 51-150 kWh and 151-300 kWh consumption bands. The tariff levels of these two classes of residential customers were increased by 34% and 80% respectively over the previous tariffs.

Non-Residential Customers

This class of customers includes the small businesses such as shops, restaurants, offices etc. Indeed, this category comprises businesses that generate income and therefore have a greater ability to pay for electricity. Besides, electricity constitutes between 1% and 2% of their costs of operation. The average tariff for this category of customers was set at 283.58 cedis/kWh representing an increase of 85.5% over the previous tariffs.

Other Customer Categories

The final class of electricity consumers belongs to the Special Load Tariff (SLT) group and comprises the small-scale industries, the big industries, and the mines. Although the majority of these customers generally have a much greater "ability to pay", some of them are energy intensive operations especially the SLT- High Voltage customers. The impact of the tariffs on their cost of production was assessed and accordingly taken into account in arriving at the new tariffs. The percentage increase over the previous tariffs ranged from 47.7% for the SLT-High Voltage category to 65% for the SLT-Low Voltage category.

Financial Impact of Tariffs on Utility Companies

Even though the tariffs were set to recover the costs projected from September to December 1998, VRA and ECG were expected to end the year with minimal operating losses.

In 1999 however, VRA and ECG were expected to make positive operating profits and achieve a reasonable Rate of Return of 2% and 5% respectively.

The PURC has made a significant effort to fulfill its promise of moving tariffs gradually to economic levels and to further ensure that the utilities begin to make appreciable gains in their operations.

Impact of Tariffs on Energy - Intensive Industries

The increase in tariffs for industry ranged from 48% to 65%. It was anticipated that, although the impact on the SLT Medium Voltage and Low Voltage customers could be absorbed by them, the industries under the SLT High Voltage category such as the mines, steel mills and the glass factory could be harder hit. This is because their operations are energy intensive with practically no alternatives to electricity currently.

In setting the tariffs, care was taken to minimize the impact on the operations of the energy-intensive industries. The net impact of the recent tariff increases on the product selling price for the energy-intensive industries was estimated to be about 2.9% for surface mining, 3.8% for underground mining, 7.7% for steel mills and 3.2% for the water supply industry.

PURC Directives

During the year under review, the PURC issued a number of directives to the utility companies, including the following:

i. Utility Companies System Losses

The Commission directed the utility companies to institute a strict programme to reduce system losses in their operations. Consequently, the distribution utilities whose system losses are currently estimated at 20% are to reduce their losses to 17% in 1999, 15% in 2000 and about 13% in 2001. These targets are being monitored and will be used in future tariff determination.

ii. Frequency of Rate Adjustments

The Commission decided that the incidence of two electricity tariff review exercises in one year was only warranted by the exceptional circumstances that prevailed in that year, and that frequent rate charges would not be the practice. With respect to electricity, no rate adjustment was contemplated in the year 1999.

Critical considerations for Future Electricity Rate Determination

Following the recent tariff review a number of issues have come to the fore and are seen as the critical considerations that the PURC has to address in the next tariff review. These considerations are:

- Review of existing tariff structure to ensure fairness and equity, especially with regards to compound houses, Time-of-Use and pre-payment metering;
- Review the policy of cross-subsidization especially between different category of customers;
- Re-evaluation of Assets of the Utility Companies;
- Establishment of proper technical and financial performance benchmarks of the Utility Companies;
- Categorization of customer classification;
- Proper allocation of distribution costs between categories of customer especially between the low voltage and high and medium voltage customers.

These critical concerns will need to be resolved to ensure a more effective rate determination process in future.

Water Tariffs

The PURC received proposals for the adjustment of water tariffs from the Ghana Water and Sewerage Corporation in November 1997. The Commission observed a process similar to the one that preceded the review of electricity tariff. The process consisted

of publication of the proposals in the mass media followed by a public forum where representations were made by both utilities and consumers. After extensive review of the proposals and a consideration of other views, new water tariffs were approved. The new tariffs became effective on March 1, 1998. The Schedule below shows the approved water tariffs that took effect from March 1, 1998.

1998 - Schedule

Category of Service	Monthly Consumption (1,000 liters)	Approved Rates in Cedis (per 1,000 liter)
<i>a. Metered Domestic</i>		
	0 - 13	400
	13 - 45	1,000
	45 and above	1,400
<i>Commercial /Industrial</i>		
	0 - 45	1,300
	45 - 450	1,600
	450 and above	2,000
<i>Public Institutions</i>		1,200
<i>Government Departments</i>		1,200
<i>b. Unmetered Premises - Flat rate per house per month</i>		5,200
<i>c. Boreholes, wells, hand pumps - Flat rate per house per month</i>		1,000
<i>d. Premises without connection (Public stand pipes) per 1,000 liters</i>		250
<i>e. Sewer surcharge on house with sewer connection</i>		35%
<i>f. Reconnection fee:</i>		
<i>(i) Domestic</i>		5,000
<i>(ii) Commercial/Industry</i>		20,000
<i>g. Meter rent per month</i>		
<i>(Meter size - in inches)</i>		
<i>½"</i>		2,000
<i>¾"</i>		2,500
<i>1"</i>		3,500
<i>1¼"</i>		4,000
<i>1½"</i>		6,000

2"	10,000
3" - 4"	20,000
Above 4"	30,000

In December 1998, following the announcement of increased tariffs for electricity, GWSC submitted proposals for the review of the existing tariffs. The proposals are being reviewed and the PURC will take a decision in 1999.

It was expected that the 132 % increase in the tariffs approved will enable GWSC to achieve positive operating profits for the first time in several years. Indeed the approved tariffs were expected to enable GWSC achieve an operating profit of about ₦23 billion.

1998 - Consumer Complaints

During the year under review, the Commission received complaints from various categories of customers in respect of implementation of electricity quota system, billing, quality of service and general tariff administration.

Implementation of electricity quota system

Some customers complained against the implementation of the quota system introduced in the electricity tariffs that took effect in February, 1998. One practical problem faced under the system was the fact that because the electricity utilities based a customer's average consumption on a 12-month period, there was no basis for calculating a fair quota for new customers or for premises not occupied prior to the exercise. Secondly, the system apparently penalised customers whose consumption was historically low as a result of past conservation practices and were therefore unable to attain considerable reduction in consumption when it mattered.

The utilities were urged to resolve this problem in respect of affected customers on a case by case basis. In any event the system was discontinued when the September electricity tariffs took effect.

Billing

Consumer complaints in respect of billing for water and electricity were in two main forms. There were the general disputes where customers' consumption did not correspond with billing. The utilities were requested to resolve these. The other form of billing complaint arose from the application of new tariffs for both water and electricity. The first tariffs set by the PURC were in certain cases applied retroactively. Consequently, this was not acceptable to the Commission. The Commission in consultation with the utilities changed the effectiveness for the second set of tariffs for water and electricity from an "effective date" to a "billing cycle".

Quality of Service

During the year under review, complaints were been made regarding quality of service by various categories of consumers of electricity namely steel mills, other industries, GWSC and the Mines. The complaints have been in respect of reliability of power supply and general quality of service. As in the case of other utilities' shortcomings, the Commission has directed the electricity utilities to improve their service especially with their improving revenue situation. In this connection, the Commission requested the electricity utility companies to submit action plans for achieving acceptable standards.

Quality of Service complaints in respect of water for the year under review were in respect of unreliable supply and unavailability. The problem was further compounded by the poor rainfall pattern experienced in 1997. In addition to the above, customers also complained about water quality. The Commission has been assured by GWSC that these problems are being addressed.

It is to be emphasized that these issues are being formally addressed by the Commission within the Standard of Performance and Billing Practice regulations being formulated by the commission in consultation with the Energy Commission, Utilities, etc. to regulate these aspects of utility companies' operation.

1998 - PURC Regulations

Prior to the inception of the Commission, utility service providers had the power within the statutes that established them to issue regulations in respect of their operations as well as their relations with consumers. These regulations were issued with the approval of their sector Ministries. ECG's principal legislative instrument was the Electrical Power Regulations, 1988 (L.I 1366) while GWSC operated through the Water and Sewerage Regulations, 1979 (L.I 1233) and Water Charges Regulations, 1995 (L.I 1597).

Under Act 538, however, the PURC was expressly mandated to issue specific regulations on:

- i. Complaints procedures under Section 30; and
- ii. Establishment of consumer services committees under Section 31;

The Commission also has general powers to issue regulations considered necessary for implementing the Act under Section 48.

Therefore, with the establishment of the PURC as the regulatory authority vested with power to issue regulations, the Commission started a process of preparing a comprehensive set of regulations which are designed to replace the old regulations issued by the utility companies. The regulations will also clearly spell out the framework within which the utilities are to operate.

During the year under review, the following regulations were prepared:

Regulations specifically provided for under Sections 30 and 31

Pursuant to Sections 30 and 31 respectively of the Act, the Commission undertook the preparation of L. Is. in respect of the Complaint Procedures and the Establishment of Consumer Services Committees.

a. Complaints Procedures under Section 30

These regulations will provide the framework for hearing and determination of complaints as well as a dispute resolution mechanism for consumer complaints against utility companies.

b. Consumer Services Committees regulations under Section 31

By these regulations, the Commission will establish consumer services committees in each district of the nation. The committees will be charged, inter alia, to advise on policy issues, act as 'watchdogs' in respect of the utility companies' operations within their districts, assist with consumer education and generally assist the PURC in protecting consumer rights as well as promoting observance of consumers responsibilities.

Regulations to be issued under Section 48

Regulations being prepared under general powers granted the Commission to issue regulations considered necessary for implementing the Act include:

Termination of Service regulations; Standards of Performance, and Billing Practices regulations.

a. Termination of Service regulations

These regulations provide the framework for the disconnection of service by public utilities. The regulations being prepared are designed to inculcate some civility into the process of termination and remove some of the abuses of the old system under which the utilities operated regulations they issued themselves.

b. Standards of Performance and Billing Practices regulations

These regulations will regulate the delivery standards of the utility companies and will cover such aspects of services as metering, meter reading, billing and payments.

In preparing the regulations, the Commission consulted various foreign regulatory institutions and was guided by their regulations and methodologies.

Procedures for issuing regulations

The following procedure is observed by the PURC for issuing regulations:

Commission and made available to the utilities, sector Ministry and other major stakeholders for their comments.

The comments so submitted are considered by the Commission and the draft is forwarded to the Attorney General's Department as drafting instructions.

The reviewed draft is re-considered by the Commission which duly informs the Attorney-General's Department of its satisfaction. The Department then lays the regulations before Parliament who's Select Committee on Subsidiary Legislation considers it. The regulations become effective after 21 days unless it is rejected by Parliament.

1998 - Relationship with Other Organisations

Since its inception, the Commission has had a good working relationship with various institutions both local and abroad. Key among these institutions are:

Government Ministries / Departments -

- Ministry of Mines and Energy,
- Ministry of Finance,
- Ministry of Works and Housing,
- Energy Commission,
- Water Sector Restructuring Secretariat;

Regulatory bodies -

- PUC,
- OFFER & OFWAT
- New York Public Services Commission
- California Public Utilities Commission
- Federal Energy Regulatory Commission.

Donors-

- World Bank
- DFID and
- USAID

1998 - Cooperation with Ministries & Departments

Ministry of Mines & Energy

Upon its establishment, the Commission received initial assistance from the Ministry of Mines & Energy in the form of office accommodation for 3 months as well as other logistics support. The Ministry also seconded 3 members of its staff who had participated in aspects of the Power Sector Reforms to work with the Commission's Secretariat. These personnel now represent an important component of the

Secretariat's key staff.

Through occasional briefings, the Ministry has kept the Commission apprised of important developments in the power sector and provided information and data on sector operations when requested.

Ministry of Works & Housing

The Commission has had a fruitful working relationship with the Ministry, which has responsibility for the Water Sector. The Ministry organized a briefing for the Commission by the Water Sector Restructuring Secretariat (WSRS) on the status of the sector reforms.

The Ministry, under its other responsibility in respect of housing is assiduously working towards providing the Commission with permanent office accommodation.

In addition, the Ministry has sponsored one Commissioner who participated on a study tour to France and UK as part of a team that included representatives of the Water Sector Restructuring Secretariat. The objective of the tour was to learn about sector reforms in those countries.

Energy Commission (EC)

The Commission welcomed the inauguration of the Energy Commission in late 1998. As the licensing authority for the utilities providing electricity services, the establishment of the EC would not only complement the PURC's own work but help ensure that areas where both Commissions have joint mandates will be effectively managed. The two Commissions have met and agreed in general terms to work together. Details of level of co-operation are to be worked out between the two bodies soon.

Following an invitation to the Commission, the PURC has nominated the Commission's Technical Director to serve on the Technical Committee of the Energy Commission. This appointment will serve as vital link between our two bodies at the technical level.

It is to be noted however that the EC has not been up and running yet and that has not been very helpful.

Water Sector Reform Secretariat (WSRS)

The Commission has a good working relationship with the Water Sector Restructuring Secretariat. The Secretariat has made 2 presentations to the Commission on the status of the Water Sector Reform process as well as a number of briefings on Private Sector Participation (PSP) in urban water supply. These sessions have been elucidating and informative.

1998 - Other Regulatory Bodies

Pennsylvania Public Utilities Commission (PUC)

The Ministry of Mines & Energy entered into a Technical Co-operation agreement with the Pennsylvania Utilities Commission (PUC) to assist Ghana's regulatory body with technical assistance through attachments, internships and exchange programmes. With the establishment of the PURC, the Ministry duly appointed the Commission as the Ghanaian counterpart agency under the Co-operation Agreement.

Since then some members of the Commission have undertaken a study tour to the PUC to learn about regulatory issues.

Further, the Commission's Secretariat interacts and consults the PUC on a regular basis. The PURC's special acknowledgments go to the PUC Chairman, J. Quain and his fellow Commissioners as well as Director, CEEP, Dr. Ahmed Kaloko and their supporting staff for their invaluable technical advice.

The Commission looks forward to a fuller utilization of the opportunity to co-operate with the PUC as the Commission's staff strength grows.

New York Public Services Commission / California Public Utilities Commission

The PURC is appreciative of both Commissions' assistance regarding study tours. The New York PSC received the Chairman of the PURC on his tour at short notice while the California PUC also graciously received a group of Commissioners. Both Commissions gave informative briefings as well as useful material including regulations, which have proved very helpful to the PURC in fashioning the regulations currently being drafted.

Federal Energy Regulatory Commission (FERC)

The Commission is also grateful to the Federal Energy Regulatory Commission which hosted the PURC Chairman on the study tour which also took him to the New York PSC at very short notice.

OFFER / OFWAT

Both OFFER and OFWAT the regulatory bodies for electricity and water respectively in the UK have also been of great assistance to the Commission. During the year, both institutions kindly received Commissioners who undertook a study tour to gain more insight into some key aspects of regulation of utilities in the UK.

OFFER and OFWAT have also given guidance to two key staff of the Secretariat on the establishment of a Library and Information Centre, the management of consumer complaints and setting up Consumer Service Committees in the regions and districts of Ghana.

Donors

Co-operation with World Bank, Department for International Development (DFID) UK and other donors

The PURC has benefited from financial support from the World Bank which together with Central Government has provided the bulk of funding for the Commission's work. There have been useful interactions with the Bank through visits by Missions to discuss, inter alia, electricity tariff levels general issues relating to the power sector and further financing support for the Commission.

DFID has also been supportive of the Commission's work. It sponsored four Commissioners on a study tour to the UK where Commissioners were given the opportunity to have fruitful discussions with relevant government departments, some utility companies as well as regulatory bodies.

The organization also sent a consultant to assess the Commission's needs and what areas the DFID may be able to offer assistance. The Commission is grateful for the Department's continued assistance and interest in the PURC's work.

USAID

USAID has agreed to support a tariff study to assist the PURC and other stakeholders in the electricity sector. This is being done as part of the assistance offered Ghana by the US Department of Energy during the power crisis. The related terms of reference for the study to be performed by Price Waterhouse Coopers are being prepared.

It is hoped that in the year 1999 in addition to funds expected from Ghana Government, donor funding will also be available to enable the Commission to undertake most of the key projects outlined in the year's work programme.

1998 - General Issues Relating to the Commission's Work

The Commission would like to draw the attention of Honourable Members of Parliament to certain issues of a general character that are relevant to the Commission's work although they do not necessarily fall within its competence.

The Role of the Commission:

There has been some debate in the public arena as to the proper role of the Commission in regulating tariffs. Some contend that, as a regulatory body, the Commission should focus narrowly on the technical aspects of its mandate in setting tariffs without reference to the surrounding macro-economic or socio-economic factors although these have grave implications for the efficacy of the Commission's tariff-setting functions. More precisely, this school of thought insists that in reviewing tariffs, the Commission should concern itself exclusively and purely with the methodology and technical modalities for setting rates to ensure the viability of the utility companies, without taking cognizance of such "extraneous" factors as the principle of affordability, the income levels of consumers, cross subsidization of certain classes of consumers, the impact of the promulgated tariff regimes on certain categories of consumers, and the determination of consumers that merit preferential or special treatment; in particular which consumers are to be accorded special rates either by way of economic incentives or on grounds of socio-economic considerations. These factors, it is argued, are the responsibility of the Government and should not be taken into account by the Commission in this decision-making process. Others have countered with equal force that the Commission's tariff setting can neither be meaningful nor effective unless its

decisions are explicitly informed by these factors and that the Commission's work cannot realistically be insulated from the macro-economic, as well as the socio-economic environment of the country.

The Commission has endeavoured to steer a middle course between these schools of thought. We recognize that the Commission has neither the executive power nor the political responsibility to take any decisions or measures affecting the income levels of consumers, or the conditions that ensure affordability of utility services. Nor is the Commission alone competent to determine which categories of consumers are deserving of special treatment on grounds of economic incentives or social policy.

The Commission does not have the power to provide over-all strategic national solutions that would ensure that industries adversely affected by tariffs will be compensated in some way. Again, whether consumers, such as educational institutions, hospitals and health care facilities and government departments should all be subject to "economic" rates or be given preferential treatment cannot be determined by the Commission alone.

Finally, historical factors such as the chronic underfunding of the utility companies that are state-owned cannot all be addressed through the mechanism of the tariff adjustment by the Commission without imaginative measures initiated by the Government to redress this underfunding.

Nevertheless, the efficacy of the Commission's tariff setting would be clearly flawed if it operated without reference to some of the above-mentioned factors. The tariff setting exercise acknowledges some socio-economic underpinnings in its provision for lifeline, limited cross-subsidization and some categorization of consumers. But the Commission clearly is not competent to deal with all the major macro-economic and socio-economic matters that impinge on its work.

The Commission would therefore, respectfully urge both the Executive and Legislative Branches to address some of the larger issues such as those highlighted below in order to create the appropriate framework for a more meaningful tariff setting.

Low-income levels

Incomes are not only generally low but have been eroded over time by inflation and other factors. This means consumers, particularly those in the lower income bracket are spending an increasing and significant percentage of their incomes on utilities such as water and electricity. Until this trend is reversed, the marginalized consumers will find it increasingly difficult to pay utility bills.

Institutional Indebtedness

As regards the viability of the utilities themselves, it should be observed that their financial positions have been immensely weakened by the effect of huge debts owed them through their operations by Government Ministries, Departments and Agencies. The Commission would like to urge that the matter be urgently addressed in order to correct the impression that the PURC tariffs are designed partly to bail the utilities out of their financial predicament.

The other and equally important aspect of the debt issue is that the utilities owe substantial amounts to Government, Banks and Donors. It is also urged in respect of these debts that some solution be fashioned to deal with the problem.

The Commission would like to emphasize the need to create a conducive environment for its operation so that the nation can appreciate the benefits of an effective regulatory institution such as the PURC.

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